

**REMARKS**

Claims 1-23 are pending in this application.

**Claim Objections**

Claim 17 is objected to because it recites "a method", but is dependent on a system claim. Accordingly, claim 17 has been amended to recite "a system". Withdrawal of the objection is respectfully requested.

**Claim Rejections - 35 U.S.C. § 101**

Claims 1-13 are rejected under 35 U.S.C. § 101 as being directed to a non-statutory subject matter. Specifically, the Action states that claims 1, 10 and 11 lack a tangible result because no "real-world" result is produced by "performing a function related to transferring ownership..." The applicant traverses this rejection because the claims are directed to a method for transferring asset ownership, which produces useful, concrete, and tangible result, and therefore constitutes statutory subject matter.

**Claimed Invention Produces Useful, Concrete, and Tangible Result**

Question of whether claim encompasses statutory subject matter should not focus on which of four categories of subject matter enumerated in 35 USC 101 claim is directed to, but rather on essential characteristics of subject matter, in particular, its practical utility. See, *State Street Bank & Trust Co. v. Signature Financial Group Inc.*, 47 USPQ2d 1596 (Fed.Cir. 1998). The claimed invention is a practical application of a probabilistic mathematical algorithm for performing a function related to transfer of ownership rights in an asset. Such transfer requires a transformation of ownership rights relative to the asset such that, for example, A owns the asset before the transfer and B owns it after the transfer. As a result, this transformation produces useful, concrete and tangible result in terms of ownership in the asset, namely, the ownership in the asset is transferred from A to B. Action has not indicated what is meant by the "real world" result. The applicant can only assume that "real world" result means a result that takes place in the real world as opposed to abstract and imaginary world. Under this assumption, the transformation carried out by the claimed invention, albeit a non-physical one, indeed produces a "real world" result by taking away ownership rights

from A and bestowing it upon B. After the transfer under the claimed invention, a useful result is produced by giving B concrete and tangible ownership rights to the asset.

Method claims containing mathematical algorithms need not involve physical transformation or conversion of subject matter from one state into another in order to constitute patentable subject matter under 35 U.S.C. Section 101, since “physical transformation” is merely one example of how mathematical algorithm may bring about useful application, not invariable requirement. See, *AT & T Corp. v. Excel Communications Inc.*, 50 USPQ2d 1447 (Fed. Cir. 1999). According to the present invention, the probabilistic mathematical algorithm is applied to bring about a useful, concrete and tangible transfer in ownership of the asset, even though the useful result is expressed in terms of performing a function related to such ownership transfer. See, *Id.*

#### **Claim Rejections - 35 U.S.C. § 103(a)**

Claims 1-5, 7-11, 14-18, 20-21 and 23 are rejected under 35 U.S.C. 103(a) as being unpatentable over Kanter (U.S. Patent No. 5,537,314) in view of Rush (U.S. Patent No. 6,966,836). These rejections are respectfully traversed.

A *prima facie* case for obviousness requires meeting three criteria: 1) some teaching, suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings, 2) there must be a reasonable expectation of success and 3 ) prior art reference (or references when combined) must teach or suggest all the claim limitations. See, MPEP 2143. The teaching or suggestion to make the claimed combination and the reasonable expectation of success must both be found in the prior art, not in applicant's disclosure. See, *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).

Under the “teaching-suggestion- motivation” test, an inquiry is made as to whether person of ordinary skill in art, possessed with understandings and knowledge reflected in prior art and motivated by general problem facing inventor, that is, not the specific problem solved by the inventor, would have been led to make the claimed combination. See, *In re Kahn*, 78 USPQ2d 1329 (Fed. Cir. 2006) From this inquiry, a determination is made as to

whether overall disclosures, teachings, and suggestions of prior art, and level of skill in art, support legal conclusion of obviousness. *Id* Although artisan need not be motivated to combine secondary reference for same reason contemplated by applicant, the secondary reference 1) can not teach away from combination with primary reference, 2) there is nothing in secondary reference that would discourage person of skill in art from using device taught in primary reference in claimed combination or 3) secondary reference should not lead skilled artisan in direction divergent from path taken by applicant. *Id*

It is respectfully submitted that the Action has not made *prima facie* case for obviousness under 35 U.S.C. § 103(a) because none of the above criteria for *prima facie* case are met.

#### **Claimed Invention**

The claimed invention, as exemplified by Claim 1, covers transferring ownership of an asset over a network by issuing redeemable tokens that have defined redemption values. The redeemable tokens are associated with one or more participants. According to the claimed invention, at least one of the redeemable token is probabilistically selected upon or after the redemption value of the issued redeemable tokens reaches a predefined cumulative value. At that point, ownership right in the asset is transferred to a participant who is associated with the selected redeemable token. In this way, the participants can control their chances for owning an asset in the probabilistic selection process by purchasing more or less redeemable tokens. The more redeemable tokens a participant is issued the more the chances of one of his or her redeemable tokens being probabilistically selected upon or after the cumulative redemption value is reached, and vice versa.

#### **Kanter Reference**

The primary reference, Kanter, discloses a system that allows participants to earn incentive awards if they satisfy minimum performance criterion, for example, after making a certain number of purchases. Under Kanter's program, cards (or accounts) associated with the participants accumulate redeemable points when the performance criterion is met. The participants can then use the accumulated points to participate in such award programs as

price discount, catalog merchandise, travel tour, cash, check, coupon, certificate or direct deposit into the participants' bank account. Also, the participants can be awarded with raffle entries, where each entry is registered to a corresponding participant where the raffle selects an entry associated with a participant. As stated in response to the previous Action, the raffle in Kanter selects a participant, but not a redeemable point in the participants' accounts. For this reason, Kanter points can never reach a cumulative redemption value.

### **Rush Reference**

The secondary reference cited in the Action, Rush, does not cure Kanter's deficiency because the redeemable tokens disclosed in Rush also can not reach a cumulative redemption value. Rush discloses a gambling model which, instead of providing wagering with actual cash, establishes durable accounts of prize tokens for the players. *See Col. 2: 1-4*. In Col. 2: 5-10, Rush states:

These tokens do not have a defined cash value; their value is definable as a function of the total number of such tokens, or the total number that have been issued in a given time period. Thus regardless of how many tokens a player might win, *the total payout to all players is limited to a known value (or a known value per time period)*.

Rush discloses a drawing (i.e. a lottery), where the value of each token is based on the total number of tokens issued. If the daily drawing for \$100 is conducted, each token may be worth \$1 if 100 tokens have been paid out, whereas if 500 tokens have been paid out, each has a value of 20 cents. *See Col. 2: 26-30*. As a result, the total value of the issued tokens remains constant from the beginning, regardless of how many tokens are issued. In other words, unlike the present invention, the total value of the issued tokens in Rush is not cumulative. Thus, the drawing (i.e. lottery) for the winning token does not occur upon or after the total value of all issued tokens reach a predefined cumulative value, as required by the invention, because the total value of the issued tokens is not cumulative-the total value never changes.

Rush discloses establishing predefined time periods and tracking the token total for each individual time period. *See Col. 4: 1-8*. At the end of each time period, a token value is determined and a payout is made (or a lottery conducted), based on the total number of tokens issued within the time period. However, once again, regardless of how many tokens are

issued within the predefined time period, the total value of the issued tokens is constant and never changes to reach a cumulative value, as required by the claimed invention.

#### **Neither Kanter Nor Rush Do Teach Every Claimed Limitation**

The Action does not seem to dispute that Rush and Kanter do not teach each and every one the claimed limitations. The Action agrees that Rush does not teach selecting a redeemable token "upon or after the redemption value of the issued redeemable tokens reaches a predefined cumulative value." The Action states that Rush teaches selecting at least one redeemable token "upon or after a predefined time period." Thus, it remains that Rush (like Kanter) does not teach selecting a redeemable token *"upon or after the redemption value of the issued redeemable tokens reaches a predefined cumulative value."*

#### **Combination Uses Improper Hindsight**

As best understood, the Action proposes modifying Kanter by substituting Kanter's raffle participant selection with Rush's token selection. The Action argues that such modification "allows for consistent and controlled game play, as disclosed by Rush." Even taking the Action's purported motivation for the modification at face value, the combination still lacks the claimed requirement for probabilistically selecting a redeemable token *"upon or after the redemption value of the issued redeemable tokens reaches a predefined cumulative value."* As best understood, without citing any teaching, suggestion or motivation, the Action proposes further modifying the already modified Kanter by using "any unit of measurement for the timing of the probabilistic selection that the inventor desired." Because there is no teaching or suggestion for using "any unit of measurement" in the token selection process, the Action seems to find such suggestion or motivation for the multiple modifications of Kanter in view of Rush in applicant's own disclosure. As such, the Kanter/Rush combination amounts to improper use of hindsight where the claimed invention is used as a blue print to piece together the prior art for making a case for obviousness.

#### **Combination Has No Chance of Success**

The Action argues that Rush's teaching of selecting at least one redeemable token "upon or after a predefined time period" renders the claimed invention obvious because "any

unit of measurement for the timing of the probabilistic selection that the inventor desired, such as measurement in time or cumulative outstanding tokens." As best understood, the Action argues that the choice for probabilistic token selection either based on "measurement in time," as taught by Rush, or based on "cumulative token value," as required by the claimed invention, is a matter of inventor's design choice.

It is submitted that any design choice made by the inventor is premised on achieving the purpose of the invention. However, the teaching of Rush, as a whole, would make it impossible to select a redeemable token for achieving the asset transfer purpose of the claimed invention, which among other things, requires token selection when the redemption value of the issued tokens reaches the cumulative value. This is because, as stated above, the total redemption value of the issued tokens in Rush is always constant regardless of how many tokens are issued. Therefore, the total redemption value of the issued tokens in Rush can not reach any cumulative value whatsoever. In fact, Rush does not teach or suggest the claimed requirement for the cumulative value of issued tokens because the issued tokens in Rush begin with a constant total token value and remain the same throughout. Consequently, the combination of Kanter and Rush as proposed by the Action could not, let alone with any reasonable expectation of success, select a redeemable token based on the cumulative value of issued tokens-Rush teaches constant total token value, but not cumulative token value.

#### **Combination Fails "teaching-suggestion- motivation" Test**

One of ordinary skill in the art would have no motivation for modifying Kanter in view of Rush for probabilistically selecting a redeemable token when the redemption value of the issued tokens reaches a cumulative value. This is because the claimed invention requires tokens having defined redemption values regardless of how many tokens are issued. In contrast, Rush's tokens have undefined redemption value, which decreases as more tokens are issued. The cumulative value of the redeemable tokens of the present invention increases with issuance of the tokens; whereas, the total redemption value of the issued tokens in Rush is not cumulative and remains the same regardless of how many tokens are issued. For these reasons, the teachings of Rush would lead one of ordinary skill in the art in a direction that is divergent from the path taken by the applicant for probabilistically selecting redeemable tokens.

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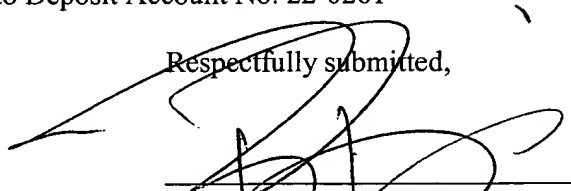
There would be no suggestion for one of ordinary skill in the art to base such selection on the cumulative value of issued tokens, when Rush's teaching is limited to constant and non-cumulative total token values. Indeed, Kanter teaches accumulating tokens having undefined values, but a constant total value. This is the exact opposite of the claimed invention, which requires defined token values having a cumulative total value that varies. By teaching the opposite, Kanter in fact teaches away from the claimed invention. For the reasons set forth above, neither Kanter nor Rush, individually or in combination, teach or suggest "probabilistically selecting a redeemable token upon or after the redemption value of the issued tokens reaches a predefined cumulative value."

In view of the above remarks, the applicant submits that Claims 1-23 meet all patentability requirements. If, for any reasons, further communication would expedite prosecution of this application, the Examiner is invited to telephone the undersigned at the number provided.

Applicant believes there are no additional fees associated with this reply other than those indicated. However, if this is incorrect, the Commissioner is authorized to charge any fees which may be required for this paper to Deposit Account No. 22-0261

Respectfully submitted,

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